

BYRON AREA SCHOOLS  
BYRON, MICHIGAN  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2008

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*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

September 2, 2008

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Byron Area Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Area Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Byron Area Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Area Schools as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information on pages II – VII, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Byron Area Schools' basic financial statements. The additional information on pages 18 – 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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BYRON AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Byron Area Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

BYRON AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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**District Wide Financial Statements:** (Continued)

These two statements report the Byron Area Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2008 and 2007:

	<u>NET ASSETS SUMMARY</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets	\$4,347,502	\$3,998,408
Non-Current Assets	<u>1,661,612</u>	<u>1,763,560</u>
<u>TOTAL ASSETS</u>	<u>\$6,009,114</u>	<u>\$5,761,968</u>
<u>LIABILITIES</u>		
Current Liabilities	\$2,817,089	\$2,674,484
Long-Term Liabilities	<u>131,040</u>	<u>162,922</u>
Total Liabilities	\$2,948,129	\$2,837,406
 NET ASSETS		
Invested in Capital Assets - Net of Related Debt	1,622,358	1,724,306
Restricted - Capital Projects	83,786	80,594
Unrestricted	<u>1,354,841</u>	<u>1,119,662</u>
Total Net Assets	<u>\$3,060,985</u>	<u>\$2,924,562</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$6,009,114</u>	<u>\$5,761,968</u>

BYRON AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2008 and 2007, the District wide results of operations were:

REVENUES	2008	2007
General Revenues:		
Property Taxes Levied for General Operations	\$450,114	\$398,911
State of Michigan Unrestricted Foundation Aid	8,922,793	9,060,362
Other General Revenues	183,880	231,806
Total General Revenues	\$9,556,787	\$9,691,079
<u>Operating Grants:</u>		
Federal	324,970	267,357
State of Michigan	522,738	447,908
Total Operating Grants	\$847,708	\$715,265
<u>Charges for Services:</u>		
Food Service	250,325	256,251
Athletics	41,308	56,543
Other Charges for Services	323,985	323,144
Total Charges for Services	\$615,618	\$635,938
Total Revenues	\$11,020,113	\$11,042,282
EXPENSES		
Instruction & Instructional Support	6,351,575	6,683,023
Support Services	3,483,629	3,496,386
Community Services	115,699	114,894
Food Service	553,715	560,197
Athletics	240,564	273,322
Depreciation	138,508	132,802
Total Expenses	\$10,883,690	\$11,260,624
<u>INCREASE IN NET ASSETS</u>	\$136,423	(\$218,342)
<u>BEGINNING NET ASSETS</u>	2,924,562	3,142,904
<u>ENDING NET ASSETS</u>	\$3,060,985	\$2,924,562

BYRON AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

Analysis of Financial Position:

During the year ended June 30, 2008, the District's Total Net Assets increased by \$136,423 to a total of \$3,060,985. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$101,948 during the year due to depreciation and principal payments on related debt exceeding the purchase of new capital assets. The districts Unrestricted Net Assets increased by \$235,179 during the year and the restricted portion of the net assets increased by \$3,192. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

Analysis of Results of Operations

The District's overall revenues exceeded expenses for the year by \$136,423. The total revenues decreased by \$22,169 or less than ½% over last years amounts. The major change was an decrease in state aid and local sources. Expenditures decreased by \$376,934 or 3% over last years amounts. Major changes were due salary and fringe benefit decreases because of retirements, layoffs and change in health insurance coverage.

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$187,056 during the year with the increase coming primarily in cash. Revenues for the year decreased by \$25,723 primarily from decreases in state aid, and local sources. Expenditures and other financing uses decreased by \$259,486, primarily from decreases in wages and benefits because of retirements, layoffs and changes in health insurance coverage. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- c. The District's non-homestead tax levy.

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Byron Area Schools foundation allowance was \$7,204 per student for the 2007-2008 school year.

3. Student Enrollment:

The District's student enrollment for the fall count of 2007-2008 was 1,319 students. A decrease of 18 students from the prior year.

BYRON AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue for the 2007-2008 fiscal year was \$444,455. An increase of \$42,798 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual &amp; Original Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$10,066,370	\$10,412,653	\$10,451,557	3.83	0.37
Expenditures	10,220,067	10,320,187	10,264,501	0.43	0.54
<b><u>TOTAL</u></b>	<b><u>(\$153,697)</u></b>	<b><u>\$92,466</u></b>	<b><u>\$187,056</u></b>		

**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Byron Area Schools amends its budget during the school year. The June, 2008 budget amendment was the final budget for the fiscal year.

**Original vs. Final Budgets**

Revenues

Significant changes between original and final budget was due to increases in state aid and act 18 revenue.

Expenditures

There were no significant variations between the original and final budget.

**Actual Results vs. Final Budgets**

Revenues and Expenditures

There were no significant variations between the final budget and actual.



BYRON AREA SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-1-07	Increases 6-30-08	Principal Payments & Deductions 6-30-08	Principal Balance 6-30-08
Durant Bonds	\$39,254	\$0	\$0	\$39,254
Sick Days Payable	123,668	0	26,552	97,116
<u>Total Long-Term Debt</u>	<u>\$162,922</u>	<u>\$0</u>	<u>\$26,552</u>	<u>\$136,370</u>

B. Capital Assets

The district's net investment in capital assets decreased by \$101,948 during the fiscal year. This can be summarized as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital Assets	\$6,363,156	\$120,704	\$186,751	\$6,297,109
Less: Accumulated Depreciation	(4,599,596)	(222,652)	(186,751)	(4,635,497)
<u>Net Investment Capital Outlay</u>	<u>\$1,763,560</u>	<u>(\$101,948)</u>	<u>\$0</u>	<u>\$1,661,612</u>

Significant additions were the purchase of a bus and playground equipment.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

State Aid

The foundation amount for the 2008-2009 school year may increase by \$60 to \$7,264 per student. The district's September 2008 enrollment is expected to decline from 2007-2008 by as many as forty students. The decrease in state revenues of approximately \$242,000 along with a decrease in local funding and incoming transfers will decrease the revenues by approximately \$314,353.

Retirement Rates

General Fund expenses are expected to increase by \$114,675. The majority of this increase is in wages, insurance and utilities. The Michigan Public School Employees retirement rate will decrease to 16.54% from 16.72% in 2007-2008. The retirement rate is estimated to decrease retirement expenses by \$10,300.

The Byron Area Schools 2008/2009 adopted budget is as follows:

<u>REVENUE</u>	\$10,137,198
<u>EXPENDITURES</u>	<u>10,379,168</u>
<u>NET (UNDER) BUDGET</u>	<u>(\$241,970)</u>

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Byron Area Schools.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$427,330
Investments	2,037,501
Due from Other Governmental Units	1,846,944
Inventory	<u>35,727</u>
Total Current Assets	\$4,347,502
<u>NON-CURRENT ASSETS</u>	
Capital Assets	6,297,109
Less: Accumulated Depreciation	<u>(4,635,497)</u>
Total Noncurrent Assets	<u>\$1,661,612</u>
<u>TOTAL ASSETS</u>	<u>\$6,009,114</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$233,680
State Aid Anticipation Note Payable	1,600,000
Accrued Expenses	45,794
Salaries Payable	917,960
Deferred Revenue	14,325
Current Portion of Long-Term Obligations	<u>5,330</u>
Total Current Liabilities	\$2,817,089
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>131,040</u>
<u>TOTAL LIABILITIES</u>	\$2,948,129
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	1,622,358
Restricted for:	
Capital Projects	83,786
Unrestricted	<u>1,354,841</u>
Total Net Assets	<u>\$3,060,985</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$6,009,114</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$6,351,575	\$0	\$519,004	(\$5,832,571)
Support Services	3,483,629	202,364	115,801	(3,165,464)
Community Services	115,699	121,621	0	5,922
Food Service	553,715	250,325	212,903	(90,487)
Athletics	240,564	41,308	0	(199,256)
Depreciation - Unallocated	138,508	0	0	(138,508)
<u>TOTALS</u>	<u>\$10,883,690</u>	<u>\$615,618</u>	<u>\$847,708</u>	<u>(\$9,420,364)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				450,114
State Aid				8,922,793
Investment Earnings				80,599
Miscellaneous				103,281
Total General Revenues and Transfers				<u>\$9,556,787</u>
Change in Net Assets				\$136,423
Net Assets - Beginning				<u>2,924,562</u>
<u>Net Assets - Ending</u>				<u>\$3,060,985</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$284,924	\$142,406	\$427,330
Investments	2,037,501	0	2,037,501
Due from Other Funds	4,647	350	4,997
Due from Other Governmental Units	1,843,502	3,442	1,846,944
Inventory	0	35,727	35,727
<u>TOTAL ASSETS</u>	<u>\$4,170,574</u>	<u>\$181,925</u>	<u>\$4,352,499</u>
<u>LIABILITIES</u>			
Accounts Payable	\$231,423	\$2,257	\$233,680
State Aid Anticipation Note Payable	1,600,000	0	1,600,000
Due to Other Funds	350	4,647	4,997
Accrued Expenses	44,411	1,383	45,794
Salaries Payable	917,960	0	917,960
Deferred Revenue	14,325	0	14,325
Total Liabilities	\$2,808,469	\$8,287	\$2,816,756
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	35,727	35,727
Capital Projects	0	83,786	83,786
Unreserved:			
Undesignated, Reported In:			
General Fund	1,362,105	0	1,362,105
School Service Funds	0	54,125	54,125
Total Fund Balances	<u>\$1,362,105</u>	<u>\$173,638</u>	<u>\$1,535,743</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,170,574</u>	<u>\$181,925</u>	<u>\$4,352,499</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AS OF JUNE 30, 2008

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Total Governmental Fund Balances:	\$1,535,743
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Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$6,297,109 and the accumulated depreciation is \$4,635,497	1,661,612
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Long-term liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported as  
liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	\$39,254	
Sick Days Payable	97,116	
Total Long-Term Liabilities	<u>(136,370)</u>	

<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$3,060,985</u>
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BYRON AREA SCHOOLS - BYRON, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Local Sources	\$743,506	\$355,653	\$1,099,159
State Sources	9,404,801	40,730	9,445,531
Federal Sources	152,797	172,173	324,970
Total Revenues	<u>\$10,301,104</u>	<u>\$568,556</u>	<u>\$10,869,660</u>
<u>EXPENDITURES</u>			
Current:			
Instruction	6,351,575	0	6,351,575
Student Services	243,205	0	243,205
Instructional Support	292,838	0	292,838
General Administration	377,705	0	377,705
School Administration	669,574	0	669,574
Business Administration	254,389	0	254,389
Operation & Maintenance of Plant	1,042,435	0	1,042,435
Transportation	619,622	0	619,622
Other Support Services	60,599	0	60,599
Community Services	115,699	0	115,699
Food Service	0	780,653	780,653
Total Expenditures	<u>\$10,027,641</u>	<u>\$780,653</u>	<u>\$10,808,294</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$273,463	(\$212,097)	\$61,366
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(236,860)	236,860	0
Other Transfers	150,453	0	150,453
Total Other Financing Sources (Uses)	<u>(\$86,407)</u>	<u>\$236,860</u>	<u>\$150,453</u>
Net Change in Fund Balance	\$187,056	\$24,763	\$211,819
<u>FUND BALANCE - BEGINNING</u>	<u>1,175,049</u>	<u>148,875</u>	<u>1,323,924</u>
<u>FUND BALANCE - ENDING</u>	<u>\$1,362,105</u>	<u>\$173,638</u>	<u>\$1,535,743</u>

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

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Total net change in fund balances - governmental funds	\$211,819
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Amounts reported for governmental activities in the statement of  
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(101,948)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	0
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(Increase) in accrued compensated absences	<u>26,552</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$136,423</u></u>
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BYRON AREA SCHOOLS - BYRON, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
AS OF JUNE 30, 2008

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	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$204,264</u>
<u>TOTAL ASSETS</u>	<u>\$204,264</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$204,264</u>
<u>TOTAL LIABILITIES</u>	<u>\$204,264</u>

See accompanying notes to the basic financial statements.



BYRON AREA SCHOOLS - BYRON, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$787,248	\$729,057	\$743,506	\$14,449
State Sources	9,057,242	9,400,720	9,404,801	4,081
Federal Sources	121,880	152,541	152,797	256
Total Revenues	<u>\$9,966,370</u>	<u>\$10,282,318</u>	<u>\$10,301,104</u>	<u>\$18,786</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	6,353,210	6,352,885	6,351,575	1,310
Pupil Services	237,050	243,560	243,205	355
Instructional Support	284,145	294,812	292,838	1,974
General Administration	372,330	378,328	377,705	623
School Administration	666,100	671,075	669,574	1,501
Fiscal Services & Other Business Services	268,380	256,090	254,389	1,701
Operation & Maintenance of Plant	1,142,527	1,067,490	1,042,435	25,055
Transportation	532,335	641,825	619,622	22,203
Other Support Services	54,000	60,605	60,599	6
Community Services	96,810	116,547	115,699	848
Total Expenditures	<u>\$10,006,887</u>	<u>\$10,083,217</u>	<u>\$10,027,641</u>	<u>\$55,576</u>
Excess of Revenues Over Expenditures	<u>(\$40,517)</u>	<u>\$199,101</u>	<u>\$273,463</u>	<u>\$74,362</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(113,180)</u>	<u>(106,635)</u>	<u>(86,407)</u>	<u>20,228</u>
Net Change in Fund Balance	<u>(\$153,697)</u>	<u>\$92,466</u>	<u>\$187,056</u>	<u>\$94,590</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,175,049</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,362,105</u>	

See accompanying notes to the basic financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Byron Area Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

1968 PA 2 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Standard &amp; Poor's Rating</b>	<b>%</b>
MILAF External Investment Pool - MICMS	\$3,267	0.0027	AAAm	0.16%
MILAF External Investment Pool - MIMAX	2,034,234	0.0027	AAAm	99.84%
Total fair value	<u>\$ 2,037,501</u>			<u>100.00%</u>

Portfolio weighted average maturity

0.0027

1 day maturity equals 0.0027, one year equals 1.00.

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5% of the District's investments are in mutual funds and pooled investment accounts which represents 100% of the District's total investments.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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4) DEPOSITS AND INVESTMENTS (Continued)

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$870,285 of the District's bank balance of \$970,576 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously report in Note 4:

Deposits – Including Fiduciary Funds of \$204,264	\$ 631,594
Investments	<u>2,037,501</u>
<u>TOTAL</u>	<u>\$ 2,669,095</u>

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 204,264
Cash – District Wide	427,330
Investments – District Wide	<u>2,037,501</u>
<u>TOTAL</u>	<u>\$ 2,669,095</u>

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2008, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,696,114
Federal Grants	29,683
Other Grants	<u>121,147</u>
<u>TOTAL</u>	<u>\$ 1,846,944</u>



BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2008, the District had \$10,748 of estimated claims payable in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,600,000 at 3.68% interest per annum on August 20, 2007, from Chase Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2008.

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
State Aid Note Payable	<u>\$1,563,000</u>	<u>\$1,600,000</u>	<u>\$1,563,000</u>	<u>\$1,600,000</u>

9) OPERATING LEASES

The District entered into a operating lease with Xerox for copiers on May 31, 2005. The lease payment is \$4,186 per month for a period of sixty months.

Future minimum payments for the operating leases is as follows:

June 30, 2009	\$ 50,233
June 30, 2010	<u>50,233</u>
<u>TOTALS</u>	<u>\$ 100,466</u>

10) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$2,617,757	\$13,600	\$0	\$2,631,357
Land & Land Improvements	2,038,469	24,090	0	2,062,559
Equipment and Furniture	534,338	18,614	0	552,952
Vehicles	<u>1,172,592</u>	<u>64,400</u>	<u>186,751</u>	<u>1,050,241</u>
Totals at Historical Cost	\$6,363,156	\$120,704	\$186,751	\$6,297,109
Less: Accumulated Depreciation				
Buildings and Improvements	(1,763,423)	(60,893)	0	(1,824,316)
Land Improvements	(1,528,194)	(87,900)	0	(1,616,094)
Equipment and Furniture	(453,083)	291	0	(452,792)
Vehicles	<u>(854,896)</u>	<u>(74,150)</u>	<u>(186,751)</u>	<u>(742,295)</u>
Total Accumulated Depreciation	<u>(\$4,599,596)</u>	<u>(\$222,652)</u>	<u>(\$186,751)</u>	<u>(\$4,635,497)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,763,560</u>	<u>(\$101,948)</u>	<u>\$0</u>	<u>\$1,661,612</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

10) CAPITAL ASSETS (Continued)

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Support Services	\$ 70,518
Food Service	1,230
Athletics	12,396
Unallocated	<u>138,508</u>
 <u>TOTAL DEPRECIATION EXPENSE</u>	 <u>\$ 222,652</u>

11) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2008 were \$89,805 and the School District received a dividend refund of \$14,114.

12) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Byron Area Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$126,705 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2008 was \$39,254.

B) Annual Principal Requirements

The annual principal requirements for all debt outstanding as of June 30, 2008 are as follows:

	<u>BONDS</u> <u>PAYABLE</u>	<u>INTEREST</u>	<u>TOTAL</u>
June 30, 2009	\$5,330	\$1,396	\$6,726
June 30, 2010	5,584	1,142	6,726
June 30, 2011	5,850	876	6,726
June 30, 2012	16,071	4,104	20,175
June 30, 2013	<u>6,419</u>	<u>306</u>	<u>6,725</u>
 <u>TOTAL</u>	 <u>\$39,254</u>	 <u>\$7,824</u>	 <u>\$47,078</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$0.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

12) GENERAL LONG-TERM DEBT (Continued)

C) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
Governmental Activities:	JULY 1, 2007	ADDITIONS	DEDUCTIONS	JUNE 30, 2008	IN ONE YEAR
Durant Bonds	\$39,254	\$0	\$0	\$39,254	\$5,330
Sick Days Payable	123,668	0	26,552	97,116	0
<u>Total Governmental Activities</u>	<u>\$162,922</u>	<u>\$0</u>	<u>\$26,552</u>	<u>\$136,370</u>	<u>\$5,330</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2008 consisted of the following:

DUE FROM			
DUE TO	General Fund	Food Services	Total
General Fund	\$0	\$350	\$350
Food Services Fund	4,647	0	4,647
<u>TOTAL</u>	<u>\$4,647</u>	<u>\$350</u>	<u>\$4,997</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following:

TRANSFERS FROM	
TRANSFERS TO	General Fund
Athletics	\$186,860
Food Service	50,000
<u>TOTAL</u>	<u>\$236,860</u>

These transfers were made to subsidized the cost of services for athletics and food service.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

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15) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2008, 2007 and 2006 were \$1,001,641, \$1,069,654 and \$968,023, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

15) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

16) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantor agencies. The audits of these programs for and including the year ended June 30, 2008, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the district expects such amounts, if any, to be immaterial.

17) SUBSEQUENT EVENTS

The District has approved borrowing \$1,440,000 at 1.7% interest per annum from Chase Bank on a State Aid Anticipation Note to meet cash flow needs for the 2008-2009 fiscal year. The Note will be issued August 20, 2008.

OTHER SUPPLEMENTAL  
INFORMATION

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2008

	School Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$58,620	\$83,786	\$142,406
Due From Other Funds	350	0	350
Due From Other Governmental Units	3,442	0	3,442
Inventory	35,727	0	35,727
<u>TOTAL ASSETS</u>	<u>\$98,139</u>	<u>\$83,786</u>	<u>\$181,925</u>
<u>LIABILITIES</u>			
Accounts Payable	\$2,257	\$0	\$2,257
Due to Other Funds	4,647	0	4,647
Accrued Expenses	1,383	0	1,383
Total Liabilities	\$8,287	\$0	\$8,287
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	35,727	0	35,727
Capital Projects	0	83,786	83,786
Unreserved:			
Undesignated, Reported In:			
School Service Fund	54,125	0	54,125
Total Fund Balances	\$89,852	\$83,786	\$173,638
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$98,139</u>	<u>\$83,786</u>	<u>\$181,925</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008

	School Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$352,461	\$3,192	\$355,653
State Sources	40,730	0	40,730
Federal Sources	172,173	0	172,173
Total Revenues	\$565,364	\$3,192	\$568,556
<u>OTHER FINANCING SOURCES (USES)</u>	236,860	0	236,860
Total Revenues & Other Financing Sources	\$802,224	\$3,192	\$805,416
<u>EXPENDITURES</u>			
Food Service	780,653	0	780,653
Net Change in Fund Balance	\$21,571	\$3,192	\$24,763
<u>NET ASSETS - BEGINNING</u>	68,281	80,594	148,875
<u>NET ASSETS - ENDING</u>	<u>\$89,852</u>	<u>\$83,786</u>	<u>\$173,638</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
SCHOOL SERVICE FUND  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2008

	Food Services	Athletic Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$54,980	\$3,640	\$58,620
Due From Funds	350	0	350
Due From Other Governmental Units	3,442	0	3,442
Inventory	35,727	0	35,727
<u>TOTAL ASSETS</u>	<u>\$94,499</u>	<u>\$3,640</u>	<u>\$98,139</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$2,257	\$2,257
Due to Other Funds	4,647	0	4,647
Accrued Expenses	0	1,383	1,383
Total Liabilities	\$4,647	\$3,640	\$8,287
<u>FUND EQUITY</u>			
Reserved for Inventory	35,727	0	35,727
Unreserved and Undesignated	54,125	0	54,125
Total Fund Equity	\$89,852	\$0	\$89,852
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$94,499</u>	<u>\$3,640</u>	<u>\$98,139</u>



BYRON AREA SCHOOLS - BYRON, MICHIGAN  
SCHOOL SERVICE FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Food Services</u>	<u>Athletic Activities</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$250,325	\$0	\$250,325
Athletic Activities	0	41,308	41,308
Other Local Sources	60,828	0	60,828
Total Local Sources	<u>\$311,153</u>	<u>\$41,308</u>	<u>\$352,461</u>
<u>State Sources</u>			
State Reimbursements	40,730	0	40,730
<u>Federal Sources</u>			
Federal Reimbursements	144,641	0	144,641
Commodities	27,532	0	27,532
Total Federal Sources	<u>\$172,173</u>	<u>\$0</u>	<u>\$172,173</u>
Total Revenues	<u>\$524,056</u>	<u>\$41,308</u>	<u>\$565,364</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	50,000	186,860	236,860
Total Revenues and Other Financing Sources	<u>\$574,056</u>	<u>\$228,168</u>	<u>\$802,224</u>
<u>EXPENDITURES</u>			
Salaries - Non-Professional	168,192	137,329	305,521
Insurances	21,797	0	21,797
Fica, Retirement, Etc.	45,392	35,748	81,140
Purchased Services	7,609	25,897	33,506
Supplies and Materials	303,770	15,057	318,827
Capital Outlay	613	2,913	3,526
Other	5,112	11,224	16,336
Total Expenditures	<u>\$552,485</u>	<u>\$228,168</u>	<u>\$780,653</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES</u>	<u>\$21,571</u>	<u>\$0</u>	<u>\$21,571</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>68,281</u>	<u>0</u>	<u>\$68,281</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$89,852</u>	<u>\$0</u>	<u>\$89,852</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2008

REVENUES FROMLocal Sources

Property Tax Levy	\$450,114
Earnings on Investments and Deposits	77,407
Tuition	6,145
Childcare Fees	121,621
Kids Kamp Fees	15,095
Preschool School Fees	29,134
Other Local Revenues	43,990
Total Revenues from Local Sources	<u>\$743,506</u>

State Sources

State Aid	8,922,793
Durant	9,578
At Risk	105,643
Special Education	185,267
Vocational Education	61,697
Other State Grants	106,223
Michigan School Readiness	13,600
Total Revenues from State Sources	<u>\$9,404,801</u>

Federal Sources

Title I Regular	92,597
Class Size Reduction	40,850
Title V	272
Technology Literacy	834
Medicaid	2,255
Safe and Drug Free Schools	1,700
Self Provider Review	2,429
Special Education	10,972
Homeland Security	888
Total Revenues from Federal Sources	<u>\$152,797</u>
Total Revenues	<u>\$10,301,104</u>

OTHER FINANCING SOURCES

Transfers from Other Districts	<u>150,453</u>
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TOTAL REVENUES AND OTHER FINANCING  
SOURCES

\$10,451,557

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2008

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INSTRUCTION
Basic Programs
Elementary

Salaries - Professional	\$1,524,689
Salaries - Non-Professional	36,627
Insurances	347,195
Fica, Retirement, Etc.	382,304
Purchased Services	3,982
Supplies and Materials	32,653
Capital Outlay	46,775
Other	14,950
Total Elementary	<u>\$2,389,175</u>

Middle School

Salaries - Professional	799,813
Salaries - Non-Professional	20,118
Insurances	159,813
Fica, Retirement, Etc.	204,925
Purchased Services	183
Supplies and Materials	34,887
Capital Outlay	4,521
Other	558
Total Middle School	<u>\$1,224,818</u>

High School

Salaries - Professional	740,782
Salaries - Non-Professional	59,765
Insurances	218,748
Fica, Retirement, Etc.	203,039
Purchased Services	57,111
Supplies and Materials	82,558
Capital Outlay	12,594
Other	853
Total High School	<u>\$1,375,450</u>

Pre-School

Salaries - Professional	58,902
Salaries - Non-Professional	21,056
Insurance	7,170
Fica, Retirement, Etc.	19,511
Supplies and Materials	4,777
Total Pre-School	<u>\$111,416</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2008

INSTRUCTION (Continued)

Basic Programs (Continued)

Drivers Education

Salaries - Non-Professional	\$20,759
Fica, Retirement, Etc.	5,187
Supplies and Materials	2,722
Total Preschool	<u>\$28,668</u>

Total Basic Programs	\$5,129,527
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ADDED NEEDS

SPECIAL EDUCATION

Salaries - Professional	335,709
Salaries - Non-Professional	15,085
Insurances	84,195
Fica, Retirement, Etc.	85,607
Purchased Services	33
Supplies and Materials	9,034
Total Special Education	<u>\$529,663</u>

COMPENSATORY EDUCATION

Salaries - Professional	53,148
Salaries - Non-Professional	42,607
Insurances	14,706
Fica, Retirement, Etc.	23,413
Supplies and Materials	999
Total Compensatory Education	<u>\$134,873</u>

VOCATIONAL EDUCATION

Salaries - Professional	278,257
Salaries - Non-Professional	31,960
Insurances	74,428
Fica, Retirement, Etc.	75,960
Purchased Services	11,748
Supplies and Materials	73,725
Capital Outlay	5,253
Other	6,181
Total Vocational Education	<u>\$557,512</u>

Total Added Needs	<u>1,222,048</u>
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<u>Total Instruction</u>	\$6,351,575
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BYRON AREA SCHOOLS - BYRON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2008

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SUPPORT SERVICES

STUDENT SERVICES

Salaries - Professional	\$97,804
Salaries - Non-Professional	37,507
Insurances	14,006
Fica, Retirement, Etc.	33,082
Purchased Services	185
Supplies and Materials	19,641
Other	40,980
Total Student Services	<u>\$243,205</u>

INSTRUCTIONAL STAFF

Salaries - Professional	171,105
Salaries - Non-Professional	13,863
Insurances	13,830
Fica, Retirement, Etc.	44,162
Purchased Services	7,151
Supplies and Materials	7,654
Capital Outlay	1,232
Other	33,841
Total Instructional Staff	<u>\$292,838</u>

GENERAL ADMINISTRATION

Salaries - Professional	105,037
Salaries - Non-Professional	88,535
Insurances	34,274
Fica, Retirement, Etc.	41,469
Purchased Services	62,629
Supplies and Materials	15,297
Other	30,464
Total General Administration	<u>\$377,705</u>

SCHOOL ADMINISTRATION

Salaries - Professional	264,954
Salaries - Non-Professional	150,221
Insurances	86,133
Fica, Retirement, Etc.	103,586
Purchased Services	43,009
Supplies and Materials	20,439
Capital Outlay	1,232
Total School Administration	<u>\$669,574</u>

BUSINESS OFFICE

Salaries - Professional	106,132
Insurances	17,605
Fica, Retirement, Etc.	26,739
Purchased Services	10,132
Supplies and Materials	4,442
Other	89,339
Total Business Office	<u>\$254,389</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2008

SUPPORT SERVICES (Continued)OPERATION & MAINTENANCE OF PLANT

Salaries - Professional	\$53,430
Salaries - Non-Professional	289,681
Insurances	68,010
Fica, Retirement, Etc.	98,363
Purchased Services	158,436
Supplies and Materials	361,268
Capital Outlay	13,247
Total Operation and Maintenance of Plant	<u>\$1,042,435</u>

TRANSPORTATION

Salaries - Professional	17,860
Salaries - Non-Professional	249,342
Insurances	13,132
Fica, Retirement, Etc.	72,931
Purchased Services	37,017
Supplies and Materials	162,161
Capital Outlay	64,400
Other	2,779
Total Transportation	<u>\$619,622</u>

OTHER SUPPORT SERVICES

Purchased Services	2,429
Other	58,170
Total Other Support Services	<u>\$60,599</u>

Total Support Services \$3,560,367

COMMUNITY SERVICES

Salaries - Non-Professional	49,748
Fica, Retirement, Etc.	12,361
Supplies and Materials	9,179
Other	44,411
Total Community Services	<u>\$115,699</u>

Total Expenditures \$10,027,641

OTHER FINANCING USES

Transfers to Other Funds	236,860
Total Other Financing Uses	<u>\$236,860</u>

TOTAL EXPENDITURES AND OTHER  
FINANCING USES

\$10,264,501

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -  
STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2008

STUDENT ACTIVITY	Due To (From)			Due To (From)
	Student Groups	Receipts	Disbursements	Student Groups
	July 1, 2007			June 30, 2008
Admin - Library	\$2,254	\$100	\$0	\$2,354
Admin - Miscellaneous	13,305	6,669	1,118	18,856
Admin - Professional Development	5	0	0	5
Class of 2005	29	0	0	29
Class of 2008	1,924	6,912	8,221	615
Class of 2009	103	16,689	13,986	2,806
Class of 2010	131	0	0	131
Elementary - Activity Account	14,034	26,781	29,042	11,773
Elementary - After School Activities	1,358	222	0	1,580
Elementary - Coca Cola	626	460	878	208
Elementary - Fifth Grade Trip	2,556	39,544	39,909	2,191
Elementary - Kindergarten Activity	110	0	101	9
Elementary - Library	648	184	0	832
Elementary - Miscellaneous	452	686	812	326
Elementary - Playground Fund	14,115	30,159	27,309	16,965
Elementary - Student Council	886	0	25	861
Elementary - Yearbook	2,776	1,345	2,004	2,117
High School - Band	30	1,539	1,529	40
High School - Baseball	258	4,055	3,632	681
High School - Basketball - Boys	540	7,743	4,358	3,925
High School - Books	74	0	0	74
High School - BPA	0	5,770	5,259	511
High School - Building/Trades	700	0	0	700
High School - Bus Drivers	170	845	360	655
High School - Cheerleaders	638	4,799	4,830	607
High School - Chess Club	828	255	0	1,083
High School - Desk Top Publishing	444	60	350	154
High School - Drama	1,296	2,145	3,375	66
High School - Drivers Education	72,305	15,031	3,338	83,998
High School - Employees Fund	1,670	1,912	2,070	1,512
High School - Environmental Club	144	1,277	1,354	67
High School - Equestrian Club	25	480	430	75
High School - FCCLA	277	924	886	315
High School - FFA Account	120	52,288	50,754	1,654
High School - Football Account	2,619	12,194	11,612	3,201
High School - French Club	1,460	12,362	8,501	5,321
High School - Girls Basketball	3,850	4,805	6,425	2,230
High School - Girls Softball - Varsity	338	150	483	5
High School - Golf	577	97	674	0
High School - Homecoming Fund	772	917	1,375	314
High School - Honor Society	2,049	4,288	5,082	1,255



BYRON AREA SCHOOLS - BYRON, MICHIGAN  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -  
STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2008

STUDENT ACTIVITY	Due To (From)	Receipts	Disbursements	Due To (From)
	Student Groups July 1, 2007			Student Groups June 30, 2008
High School - Industrial Arts	\$370	\$723	\$264	\$829
High School - Library	1,452	0	0	1,452
High School - Miscellaneous	1,036	2,233	2,202	1,067
High School - Parking Permits	275	85	0	360
High School - Photo Fund	3,964	909	3,320	1,553
High School - SADD	58	0	0	58
High School - Soccer	1,231	3,721	2,286	2,666
High School - Special Ed	321	0	0	321
High School - Student Council	1,678	4,560	4,271	1,967
High School - Student Repair	150	0	0	150
High School - Testing	92	0	0	92
High School - Track	2,739	8,285	9,802	1,222
High School - Volleyball	1,105	5,445	4,378	2,172
High School - Wrestling Account	3,416	6,390	8,225	1,581
High School - Yearbook	206	27,030	22,948	4,288
Middle School - 8th Grade Trip	3,288	2,996	3,290	2,994
Middle School - 8th Grade Trip-Conces	239	894	1,100	33
Middle School - Baseball	8	304	297	15
Middle School - Choir Club	105	0	0	105
Middle School - Community Ed	2,552	3,988	4,052	2,488
Middle School - Girls - Basketball	293	40	0	333
Middle School - Newspaper	317	0	0	317
Middle School - Robotics Club	120	0	0	120
Middle School - Softball	310	0	0	310
Middle School - Student Activity	685	0	0	685
Middle School - Student Council	1,621	13,158	11,247	3,532
Middle School - Yearbook	1,659	3,830	2,036	3,453
<u>TOTALS</u>	<u>\$175,786</u>	<u>\$348,278</u>	<u>\$319,800</u>	<u>\$204,264</u>

BYRON AREA SCHOOLS - BYRON, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2008

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$95,776

1998 DURANT RESOLUTION PACKAGE BONDS

	PRINCIPAL REQUIREMENT	INTEREST RATE	INTEREST REQUIREMENT	TOTAL FISCAL YEAR REQUIREMENTS
<u>PAYMENT DATE - MAY 15TH</u>				
2009	\$5,330	4.761353%	\$1,396	\$6,726
2010	5,584	4.761353%	1,142	6,726
2011	5,850	4.761353%	876	6,726
2012	16,071	4.761353%	4,104	20,175
2013	6,419	4.761353%	306	6,725
<u>TOTAL</u>	<u>\$39,254</u>		<u>\$7,824</u>	<u>\$47,078</u>



*Lewis & Knopf, CPAs, P.C.*

Serving You with Trust and Integrity

September 2, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of  
Byron Area Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byron Area Schools, as of and for the year ended June 30, 2008, which collectively comprise the Byron Area Schools' basic financial statements and have issued our report thereon dated September 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Byron Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Byron Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Byron Area Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Byron Area Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Byron Area Schools' financial statements that is more than inconsequential will not be prevented or detected by the Byron Area Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Byron Area Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Byron Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis & Knopf P.C.*

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CERTIFIED PUBLIC ACCOUNTANTS